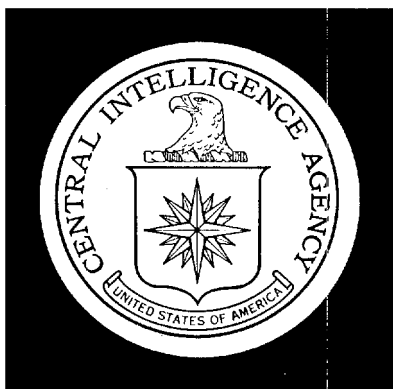


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COMMUNIST CHINA: The regime reportedly is planning some sort of public announcement before 1 October regarding its decision to curtail National Day celebrations, but any immediate official explanation may not shed much light on the reasons for the leadership crisis in Peking.

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25X1 [REDACTED] a Foreign Ministry spokesman in Peking who last week reportedly told some members of the diplomatic corps that they would soon be informed as to why National Day celebrations have been curtailed. Although a press report has said that the Canton television station promised a special newscast for tonight about the "circumstances" regarding National Day, the US Consulate in Hong Kong has been unable to find any evidence of such a promise after reviewing tapes of the broadcasts from Canton.

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Various Chinese officials are continuing to refute speculation that Mao is ill, and Vice Premier Li Hsien-nien adhered to past practice in conveying the "friendly regards of Chairman Mao Tse-tung" on 26 September at the signing in Hanoi of the Sino-DRV economic and military aid agreement for 1972. Thus far, there has only been one reported comment on Defense Minister Lin Piao's status; in response to a direct question, an NCNA official in Hong Kong on 25 September asserted that "Mao is very much alive," but he refused to be drawn out on Lin's health, stating merely that "I don't know, but he must be all right."

A domestic broadcast on 27 September which reportedly inveighed against rumor mongering suggests that uncertainty over what is happening in Peking may be widespread among party cadres. The broadcast reportedly attacked the spreading of rumors in general terms and did not allude to current developments.

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At this stage, there is nothing to confirm any of the sensational details of these rumors. It seems reasonable to assume that they stem from the fact that most party cadres are generally aware of the power struggle between moderate and leftist elements in the politburo and the quarreling over the investigation of the extremist "May 16 Corps" now under way throughout the country.

Reports about restrictions imposed on travelers to China continue to be conflicting. Since 24 September some, but not all, of the many Chinese travelers that cross into China daily have been turned away by authorities at the border. Most of those denied entry are persons destined for the coastal provinces in southeast China. The NCNA official in Hong Kong also stated on 25 September that temporarily no visas for travel in China are being issued to foreign newsmen, but this has not yet been confirmed.

On the other hand, some foreign travelers continue to enter and exit the mainland without difficulty

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[REDACTED] Invitations to foreigners to attend the Canton Trade Fair next month are reportedly still valid and preparations are said to be proceeding as usual. While these reports are not conclusive one way or another, they do suggest that there is considerable confusion among Chinese officials as to how foreign visitors should be handled during this period of domestic upheaval.

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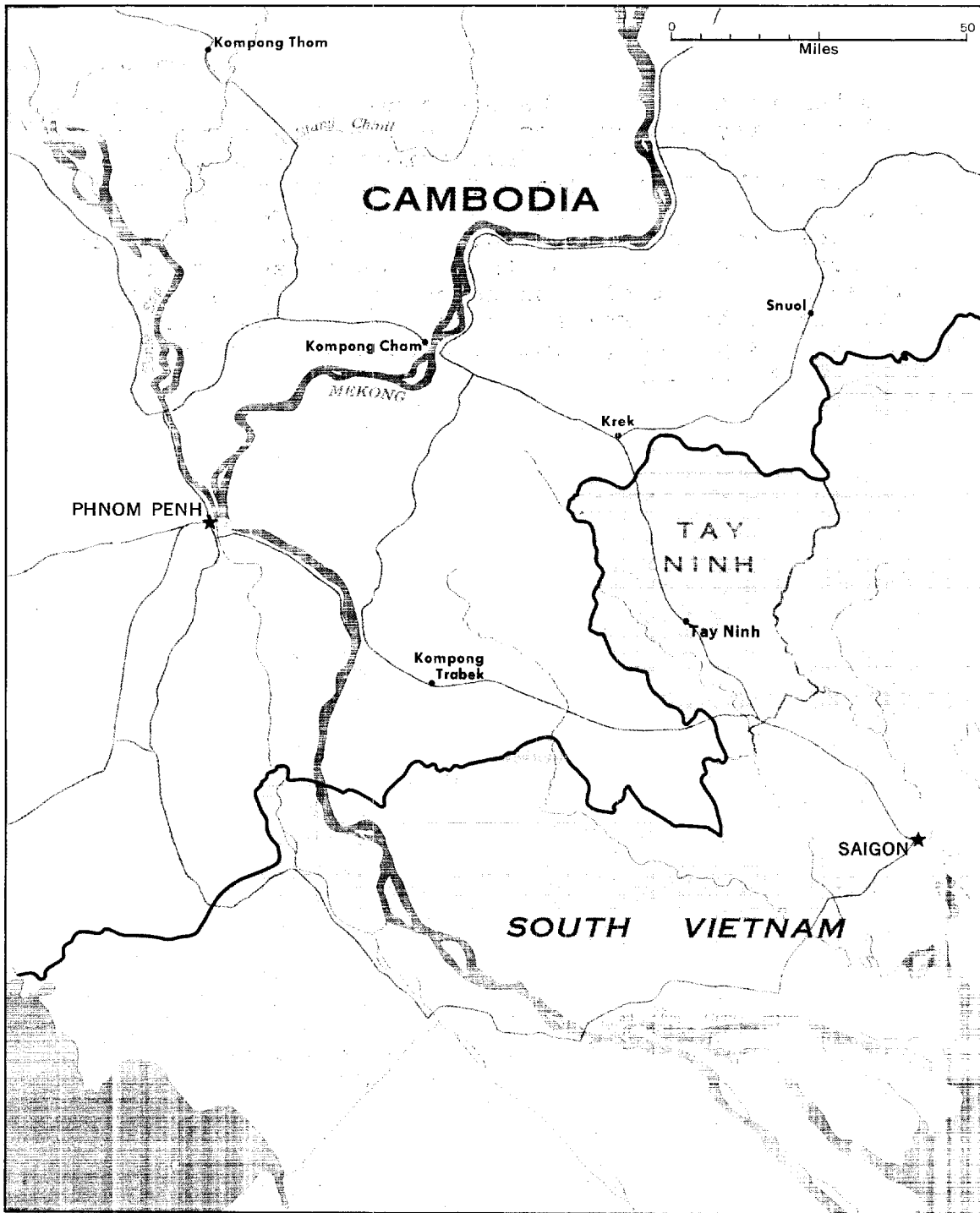
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Communist Military Action Increases in Border Area



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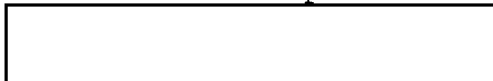
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SOUTH VIETNAM - CAMBODIA: The Communists have begun a new round of action in the South Vietnam - Cambodia border region.

Heavy shellings followed by ground assaults were launched against Krek, in eastern Cambodia, and against allied positions in western and northern Tay Ninh Province this weekend. No allied positions were overrun, but casualties were relatively high on both sides compared to the level in this region during the summer months.

Large-scale mortar and rocket bombardments are often employed by the Communists to mask the movement of men and materiel to forward battle zones or staging areas. Elements of the North Vietnamese 7th Division could move into Tay Ninh to increase pressure on the allied units there and to force the return of some of the 10,000 South Vietnamese troops currently operating in Cambodia.

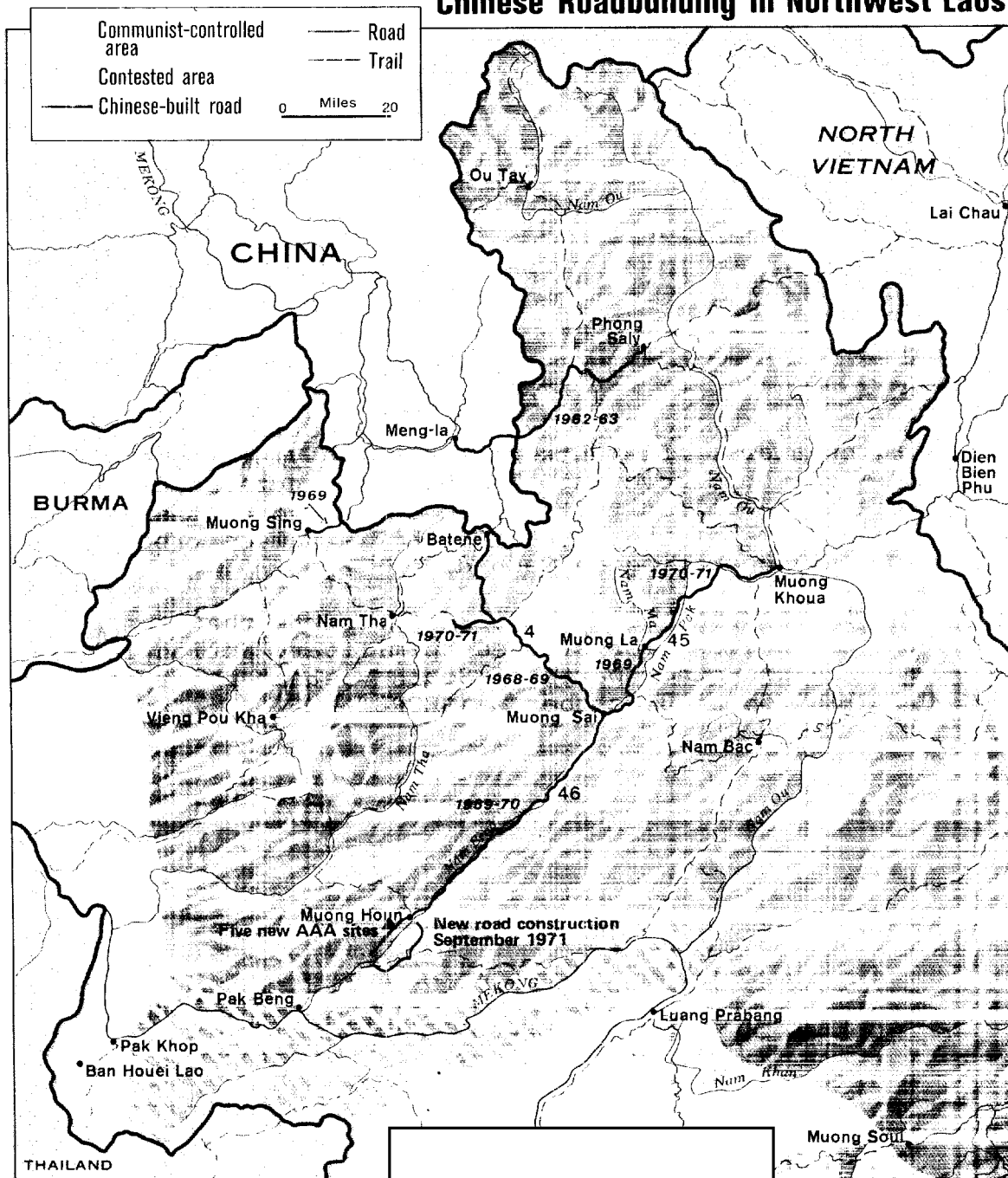
There have been a number of reports that the enemy is calling for stepped-up military action in Tay Ninh and other parts of South Vietnam prior to the election on 3 October.



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Chinese Roadbuilding in Northwest Laos



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COMMUNIST CHINA - LAOS: The Chinese appear to have begun extending Route 46 south of Muong Houn toward the Mekong River.

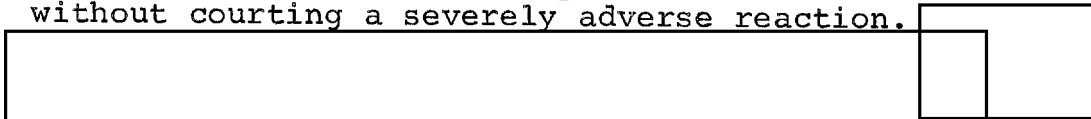
Photography of 26 September shows about eight miles of single-lane road extending south of Muong Houn, at least two miles beyond an existing motorable trail cleared in November 1970 to serve a forward AAA position. The Chinese are using heavy construction equipment and are operating construction camps along the road, indicating that this is more than a simple clearing operation or trail realignment. Moreover, five AAA sites have apparently been constructed two miles south of Muong Houn in the last few months.



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The Chinese have built some 160 miles of roads in Laos since 1968, mainly concentrated in the Routes 45 and 46 systems. They did not add substantially to the existing roads during the 1970-71 dry season, but did significantly increase their military presence.

The Chinese pushed Route 46 to Muong Houn in January 1970. Since there was no military or geographical reason to stop at Muong Houn, political factors, possibly including fear of Lao or US reaction, may have restrained the Chinese from moving farther south. Improved relations with Vientiane in the last six months as well as recent developments in Sino-US relations may be factors in persuading Peking that it can push on with the road without courting a severely adverse reaction.



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JAPAN: The value of the yen continues to rise; yesterday it reached a level of 6.9 percent above its old fixed parity. The Bank of Japan reportedly continues to intervene to prevent a more rapid rise.

A consensus is building in Japan for unilaterally establishing a new fixed international value of the yen at more than nine percent higher than the old rate. The Democratic Socialist Party, the third largest opposition party, has called for a nine-percent revaluation. This makes revaluation somewhat less of a partisan political issue and it may dampen some of the antagonism that has arisen as a result of US economic initiatives.

To overcome the continuing uncertainty caused by the floating exchange rate, major exporters are now quoting a nine- to 13-percent rise in yen parity in trade deals. Tokyo has recently moved to assist small and medium-sized firms by absorbing much of their potential losses by having the Bank of Japan indirectly buy dollar export contracts.

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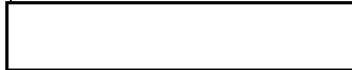
UN-JERUSALEM: Israel has announced its intention to defy the latest Security Council resolution on Jerusalem and appears to have set out to discredit Jordan with the other Arab states.

A communiqué issued following Sunday's cabinet meeting said that "Israel will continue to persevere in the development of the city." In addition, the communiqué clearly implied that the government would not cooperate if the secretary general attempted to send a fact-finding delegation to Jerusalem.

By portraying the original draft as basically one agreed to between Israel and the US, Israel also appears to have set out to destroy any credit Jordan may have gained with the Arabs by raising the issue in the UN. Tel Aviv is explaining its predictable opposition to the resolution as primarily due to the draft's failure to endorse resolution 242 of November 1967; the Israelis imply that the draft might have been acceptable if the US had stuck to the version that, they claim, was earlier endorsed by Tel Aviv. This propaganda tactic may be effective, given Arab propensities to suspect Jordan of collaborating with the enemy.

The Security Council resolution is substantially the text worked out between the US and Jordan. The last paragraph directs the secretary general, in consultation with the president of the Security Council, to report to the council within 60 days on the implementation of the resolution which calls on Israel to rescind measures taken to change the status of the city. That is free to use any means he chooses to determine the facts, including sending a mission or a special representative.

After intensive lobbying among the Egyptian and Syrian delegations, Jordan succeeded in obtaining the blessing of the entire Arab group, although the Syrians indicated their intention to abstain on the last paragraph, as did the Soviets. Syria clouded the issue by introducing several amendments; it was persuaded to withdraw all except one but abstained on the resolution as a whole.



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ETHIOPIA-ISRAEL: Israeli Chief of Staff Bar Lev's recent visit to Ethiopia probably was an attempt to assuage Ethiopian fears that Tel Aviv's commitment was diminishing.

The Ethiopians were disappointed over an earlier Israeli decision to replace their senior military adviser who, after long service in Addis Ababa, is considered indispensable by the Ethiopians. Addis Ababa also is apprehensive about Tel Aviv's intention to reduce the number of its military advisers in Ethiopia. Israel, however, will try to assign more qualified advisers in the future.

Despite official Ethiopian statements that Bar Lev was on vacation, it appears that he discussed mutual defense matters with Ethiopian officials. There is no indication that any formal agreements were reached, however. Bar Lev and his Ethiopian counterpart traveled to all installations where Israeli advisers are stationed. According to an Ethiopian official, Bar Lev and Foreign Minister Minassie held serious talks that centered on ways to impress the US with their view of Soviet and Arab intentions in the Red Sea area and the Horn of Africa.

Moreover, after returning to Tel Aviv, Bar Lev passed on the Ethiopian views to a US official and asked that the US consider favorably an Ethiopian request for more coastal patrol boats. Bar Lev said that the request had been prompted by Ethiopian concern over the ten-year-old insurgency in Eritrea, but conceded that increased and more effective patrolling in the Red Sea would help to counter fedayeen operations against Israeli shipping.

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UN-ENVIRONMENT: A key preparatory session for the 1972 UN Conference on the Human Environment is over, but agreements on a draft declaration and East German participation have not been reached.

Before the meeting there was considerable concern among the less developed countries (LDCs) that the conference might opt for international environmental restraints that would hamper their efforts to upgrade their economies. Some of the major powers--especially the USSR--were also opposed to any conference actions that could be construed as an infringement on national sovereignty. These attitudes surfaced repeatedly during the preparatory meeting, and Brazil added a special twist by alleging a need to prevent "imperialist pillage" of the world's natural resources. As a consequence no agreement was reached on the draft declaration to be issued at the conference, which will be held in Stockholm.

There was dissension among the LDCs on the issue of population controls. Brazil wanted the subject deleted from all documents, but was opposed by India, Egypt, Singapore, and most developed countries. The preparatory committee then decided to include the population problem in a list of priority topics for the Stockholm conferees.

Brazil sought agreement that all decisions at Stockholm be taken by a two-thirds vote, with abstentions recorded as negative ballots. The Soviets wanted conference decisions to be made by a majority of all states represented there. Both ploys had the intent of making agreements on international conventions at Stockholm very difficult. They were defeated, however, and all substantive matters apparently will be determined at Stockholm by simple majorities of those voting yes or no.

Left by the preparatory committee for General Assembly consideration this fall is the delicate issue of East German participation in the Stockholm

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conference. The Soviets are expected to push for a full role for Pankow as they did last May at an environmental meeting in Prague. The Western position, however, is likely to continue to be that any East Germans invited be regarded merely as expert advisers.

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EGYPT-USSR: President Sadat will pay a state visit to the Soviet Union in the next three weeks, according to a Cairo news service. The agenda for Sadat's meetings with Soviet leaders has not been disclosed, but it is likely to include the coordination of Soviet-Egyptian strategy on the Middle East, lingering strains in relations between Cairo and Moscow in the wake of the pro-Communist coup last July in the Sudan, and the continuing Soviet defense assistance to Egypt. Both sides are apt to portray Sadat's visit--his second to the Soviet Union since becoming president in October 1970--as a natural development consonant with the spirit and letter of the Treaty of Friendship and Cooperation signed in May that calls for regular consultations on "all important questions affecting the interests of both states."

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UK: Unemployment rose by 25,000 last month to 929,000, nearly four percent of the labor force. This is the highest monthly total since before World War II. The Heath government had expected that tax cuts announced in April and additional cuts announced in the supplemental budget in July would stimulate the economy, but lags in implementation and continued consumer and business caution have delayed recovery. Last week's announcement of the unemployment figures came at a particularly awkward time for Heath because of the imminence of the annual major party conferences and Parliament's decision on entry into the Common Market. Dissatisfaction with rising unemployment and continuing inflation has increased still further popular discontent with the Conservative Party.

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